

**OTTAWA LIBRARY**

Ottawa, Kansas

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT**

December 31, 2015

# OTTAWA LIBRARY

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Ottawa Library  
Ottawa, Kansas

### Report in the financial statement

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Ottawa Library and related municipal entities, as of and for the year ended December 31, 2015 and the related notes to the financial statement.

### Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note C to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note C of the financial statement, the financial statement is prepared by the Ottawa Library to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note C and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted accounting Principles***

In our opinion, because of the significance of the matter discussed in the "Basis of Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Ottawa Library as of December 31, 2015, or changes in financial position and cash flows thereof for the year then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Ottawa Library as of December 31, 2015, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note C.

***Report on Regulatory Basis Supplementary Information***

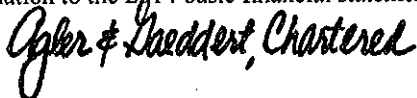
Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditure-actual and budget and individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedules 1, and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note C.

***Other reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2016, on our consideration of Ottawa Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ottawa Library's internal control over financial reporting and compliance.

***Prior Year Comparative***

The 2014 Actual column presented in the individual fund schedules of regulatory basis receipts and expenditures – actual and budget (Schedule 2 as listed in the table of contents) is also presented for comparative analysis and is not a required part of the 2015 basic financial statement upon which we have rendered an unmodified opinion dated April 1, 2016. The 2014 basic financial statement and our accompanying report are not presented herein, but available in electronic form from the web site of the Kansas Department of Administration at the following link <http://da.ks.gov/ar/muniserv/>. Such 2014 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2014 basic financial statement. The 2014 comparative information was subjected to the auditing procedures applied in the audit of the 2014 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2014 basic financial statement or to the basic financial statements itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2014 comparative information is fairly stated in all material respects in relation to the 2014 basic financial statement as a whole, on the basis of accounting described in Note C.



Agler & Gaeddert, Chartered  
April 1, 2016

# OTTAWA LIBRARY

## SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH REGULATORY BASIS

For the year ended December 31, 2015

Fund	Beginning Unencumbered Cash Balance	Cash Receipts
<b>Governmental Type Funds</b>		
General fund	\$ 27,528	\$ 904,020
<b>Special Purpose Funds</b>		
Capital Improvement fund	18,653	10,010
<b>Related Municipal Entity</b>		
Endowment fund	234,451	55,606
Friends of the Library	4,928	9,645
	<u>\$ 285,560</u>	<u>\$ 979,281</u>

The accompanying notes are an integral part of this statement.

Statement 1

<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
\$ 871,911	\$ 59,637	\$ 12,895	\$ 72,532
0	28,663	0	28,663
2,958	287,099	0	287,099
<u>10,227</u>	<u>4,346</u>	<u>0</u>	<u>4,346</u>
\$ <u>885,096</u>	\$ <u>379,745</u>	\$ <u>12,895</u>	\$ <u>392,640</u>

**Composition of cash and investments:**

Petty cash	\$ 140
Deposits at banks	
Checking account	55,052
Money market accounts	46,003
Related Municipal Entity	
Money market accounts	4,346
Deposits at trust	
Equity investments	<u>287,099</u>
	\$ <u>392,640</u>

## OTTAWA LIBRARY

### NOTES TO FINANCIAL STATEMENT

December 31, 2015

#### NOTE A. MUNICIPAL REPORTING ENTITY

The Ottawa Library operates under a seven member form of government, which is appointed by the Ottawa city commission. The Ottawa Library is a separately administered organization that is dependent on the City of Ottawa for the levy of the Library tax and appointment of the respective governing board. The Library adopts the annual budget. The Library's financial statements are included in the City of Ottawa's annual financial statements. These financial statements present the Library and its component units, entities for which the Library is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Library's operations and so, data from these units are combined with data of the Library. A combined discretely presented component unit, on the other hand, is reported on a separate line in the Summary of Receipts, Expenditures and Unencumbered Cash – Regulatory Basis to emphasize it is legally separate from the Library. The discretely presented component units noted below have a December 31 year end and are included in the Library's reporting entity because they were established to benefit the Library or its constituents.

##### *Related municipal entity*

The Endowment Fund is a separate nonprofit corporate entity under 501 (c ) 3 of the internal service code and provides support for the Library. The Friends of the Library is a separate nonprofit corporate entity under 501 (c ) 3 of the internal service code and provides support for the Library. The Endowment Fund and the Friends of the Library have been included in Statement 1 of the Library's financial statements.

#### NOTE B. REGULATORY BASIS FUND TYPES

The accounts of the Library are organized and operated on the basis of funds. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The Library potential could have the following types of funds.

**General Fund** – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

**Special Purpose Funds** – used to account for the proceeds of specific tax levies and other specific revenues sources that are intended for specific purposes.

**Bond and Interest Fund** – used to account for the accumulation of resources, including tax levies, transfers from other funds and used to make payments of general long-term debt. The Library did not have any funds of this type for the current year.

**Capital Project Fund** – used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment. The Library did not have any funds of this type for the current year.

**Business Fund** – funds financed in whole or part by fees charged to users of goods or services (i.e. enterprise and internal service funds etc.). The Library did not have any funds of this type for the current year.

**Trust Fund** – funds used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipality reporting entity scholarship funds, etc).

**Agency Fund** – funds used to report assets held by the municipal reporting entity in purely a custodial capacity (payroll clearing fund, county tax collection accounts, etc.). The Library did not have any funds of this type for the current year.

## OTTAWA LIBRARY

### NOTES TO FINANCIAL STATEMENT

December 31, 2015

#### NOTE C. BASIS OF ACCOUNTING

*Regulatory Basis of Accounting and departure from Accounting Principles Generally Accepted in the United States of America* - The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligations against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt assignment to a fund, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than mentioned above.

Ottawa Library has approved a resolution that it is in compliance with K.S.A. 75-1120a (c) waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis of accounting.

#### NOTE D. BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5<sup>th</sup> of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

**Adjustment for Qualifying Budget Credits** – Municipalities may use this line item for any budgeted fund. The adjustment would be a positive amount. All budget adjustments must be authorized by Kansas statutes. Examples include: expenditure of federal grant monies, gifts and donations, and receipts authorized by law to be spent as if they were reimbursed expenses.

All legal annual operating budgets are prepared using the regulatory basis of accounting in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.



## OTTAWA LIBRARY

### NOTES TO FINANCIAL STATEMENT

December 31, 2015

#### NOTE D. BUDGETARY INFORMATION - continued

A legal operating budget is not required for the following special revenue funds:

Capital Improvement  
Friends of the Library

Endowment

Spending in funds which are not subject to the legal annual operating budget requirements is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing board.

#### NOTE E. CASH AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the Library. The statute requires banks eligible to hold the Library's funds have a main or branch bank in the county in which the Library is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the bank to pledge securities for deposits in excess of FDIC coverage. The Library has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Library's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. Government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Library has no investment policy that would further limit its investment choices.

*Concentration of credit risk* - State statutes place no limit on the amount the Library may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The Library has no investments other than money markets.

*Custodial credit risk – deposits:* Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. State statutes require the Library's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. There were no designated "peak periods" during the year. All bank deposits were legally secured at December 31, 2015.

At December 31, 2015, the carrying amount of the Library's cash was \$101,194 (which includes \$140 in cash on hand) and the bank balance was \$137,576. The bank balance was held by three banks which reduces concentration of credit risk. The difference between carrying amount and bank balance is outstanding checks and deposits. Of the bank balance, \$137,576 was covered by federal depository insurance, and \$0 was collateralized with securities held by the pledging financial institution's agents in the Library's name.

At December 31, 2015, the carrying amount of the related municipal entity (Friends of the Library) bank deposits was \$4,346 and the bank balance was \$4,346. The bank balance was held by one bank resulting in a concentration of credit risk. The difference between carrying amount and bank balance is outstanding checks and deposits. Of the bank balance, \$4,346 was covered by federal depository insurance.

At December 31, 2015, the carrying amount of the related municipal entity (Endowment) bank deposits was \$15,813 and the bank balance was \$15,813. The bank balance was held by one bank resulting in a concentration of credit risk. The difference between carrying amount and bank balance is outstanding checks and deposits. Of the bank balance, \$15,813 was covered by federal depository insurance.

*Custodial credit risk – investments:* For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments be adequately secured. The Library (other than the Endowment as described below) had no such investments at year end.

# OTTAWA LIBRARY

## NOTES TO FINANCIAL STATEMENT

December 31, 2015

### NOTE E. CASH AND INVESTMENTS – continued

The rating of the Endowment's investments is noted below. The Endowment fund has (a 501 (c) 3 not for profit corporation) invested in money markets, equities and fixed income mutual funds. The Endowment is not subject to K.S.A. 12-1675.

Carrying value represents original cost and reinvested income. Investments are reported on the financial statements at carrying value. Fair value is market value based upon quoted market prices.

*Concentration of Credit Risk:* State statutes place no limit on the amount the Endowment may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The Library's allocation of investments as of December 31, 2015 is as follows:

<u>Investments</u>	<u>Percentage of Investments</u>
Money Market Accounts	6%
Equity Mutual funds	61%
Fixed Income Mutual Funds	33%

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Library will not be able to recover the value of its investments of collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The investments listed below are not secured as described in state statutes:

Fixed Income	\$ 96,966
Equity Mutual funds	174,320

As of December 31, 2015, the Endowment had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Maturity</u>	<u>Rating</u>
Money Market Accounts	\$ 15,813	\$ 15,813	Annually	AAA
Equities - Mutual Funds	171,741	174,320	Annually	AAA
Fixed Income - Mutual Funds	93,344	96,966	Annually	AAA
	<u>\$ 280,898</u>	<u>\$ 287,099</u>		

### NOTE F. INTERFUND TRANSFERS

Operating transfers were as follows:

<u>Transfer to:</u>	<u>Transfer from:</u>	<u>Statutory Authority</u>	<u>Amount</u>
General	Friends of the Library	K.S.A. 12-118	\$ 500
Capital improvement	General	K.S.A. 12-118	10,000
Endowment	Endowment	K.S.A. 12-118	409

### NOTE G. OTHER LONG-TERM OBLIGATIONS FROM OPEARTIONS

*Other Post Employment Benefits:* As provided by K.S.A. 12-5040, the Library allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the Library is subsidizing the retiree's health insurance plan because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been qualified in this financial statement.

## OTTAWA LIBRARY

### NOTES TO FINANCIAL STATEMENT

December 31, 2015

#### NOTE G. OTHER LONG-TERM OBLIGATIONS FROM OPEARTIONS - continued

Under the Consolidated Omnibus Budget Reconciliation Act (CORBA), the Library makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

*Compensated Absences:* Full time employees may accrue vacation at varying intervals according to length of service up to a maximum of 160 hours. Vacation is paid upon resignation or retirement.

Sick leave accrues at the rate of 8 hours per month for full-time employees, up to a maximum of 480 hours. A percentage of accrued sick leave may be paid to employees in good standing upon resignation or retirement, according to their years of service. The Library's policy is to record vacation and sick leave expense when paid.

There is no accrual for vacation or sick leave in these financial statements. The amounts if accrued for vacation and sick leave would be \$33,459.

#### NOTE H. DEFINED BENEFIT PENSION PLAN

##### General Information about the Pension Plan

*Plan description* - The Ottawa Library participates in the Kansas Public Employees Retirement System (KPERS) which is a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901. et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at [www.kpers.org](http://www.kpers.org) or by writing to KPERS (611 S Kansas, Suite 100, Topeka, Kansas 66603) or by calling 1-888-275-5737.

*Contributions* - KSA 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2, and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according the provisions of Section 414(h) on the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KJPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 0.85% contribution rate for Death and Disability Program) and the statutory contribution rate was 9.48% for the fiscal year ended December 31, 2015. Contributions to the pension plan from (non-school municipality) were \$40,459 for the year ended December 31, 2015.

##### Net Pension Liability

At December 31, 2015, the (non-school municipality)'s proportionate share of the collective net pension liability reported to KPERS was \$304,245. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014, which was rolled forward to June 30, 2015. The (non-school municipality)'s proportion of the net pension liability was based on the ratio of the (non-school municipality)'s contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognized long-term debt, this liability is not reported in these financial statements.

## OTTAWA LIBRARY

### NOTES TO FINANCIAL STATEMENT

December 31, 2015

#### NOTE H. DEFINED BENEFIT PENSION PLAN - continued

##### Net Pension Liability - continued

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at [www.kpers.org](http://www.kpers.org) or can be obtained as described above.

#### NOTE I. RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Library carries commercial insurance. Settlement of claims has not exceeded commercial insurance coverage in any of the last three fiscal years.

#### NOTE J. UNENCUMBERED CASH BALNCE RESTATED

As of December 31, 2014 the Endowment unencumbered cash balance has been restated to reduce the balance by \$5,000 for a duplicate donation recorded in that year.

Unencumbered cash balance as of December 31, 2014	\$ 239,451
Less duplicated donation	<u>5,000</u>
Unencumbered cash balance as restated for December 31, 2014	<u>\$ 234,451</u>

#### NOTE J. OTHER INFORMATION

*Ad Valorem Tax Revenue:* The determination of assessed valuation and the collections of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser's office annually determines assessed valuation and the County Clerk spreads the annual assessment to the taxing units. One-half of the property taxes are due December 20 and distributed to the Library by January 20 to finance a portion of the current year's budget. The second half is due May 20 and distributed to the Library by June 5. The Library draws available funds from the County Treasurer's office at designated times throughout the year.

*Reimbursed Expenses:* The Library records reimbursable expenditures in the fund that makes the disbursement and records reimbursement as revenue in the same fund. For purposes of budgetary comparisons, the reimbursements are shown as adjustments for qualifying budget credits.

*Compliance with Kansas Statutes:* References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the State Director of Accounts and Reports and interpretation by the legal representative of the municipality.

Management is not aware of any statutory violations in the period covered by this audit.

*Use of restricted versus unrestricted unencumbered cash and receipts:* The Library uses restricted unencumbered cash and receipts first when both restricted and unrestricted unencumbered cash or receipts are available.

*Subsequent Events:* The Library evaluated subsequent events through April 1, 2016, the date the financial statements were available to be issued. No subsequent events were identified which require disclosure.

**REGULATORY BASIS  
SUPPLEMENTARY INFORMATION**

**OTTAWA LIBRARY**

**SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET**

**REGULATORY BASIS**

For the year ended December 31, 2014

<b>Fund</b>	<b>Certified Budget</b>
<b>Governmental Type Funds</b>	
General fund	\$ 910,439

See Independent Auditor's Report.

Schedule 1

<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Over (Under)</u>
\$ 0	\$ 910,439	\$ 871,911	\$ 38,528

# OTTAWA LIBRARY

Schedule 2a

## GENERAL FUND SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET REGULATORY BASIS

For the year ended December 31, 2015

(With comparative actual totals for the prior year ended December 31, 2014)

		2015		Variance Over (Under)
	2014	Actual	Budget	
<b>Cash Receipts</b>				
Appropriation from City	\$ 781,851	\$ 818,858	\$ 818,858	\$ 0
Interest income	236	265	400	(135)
State aid	4,513	4,161	4,513	(352)
NEKLS grant	27,005	27,815	27,815	0
E Rate Reimbursement	1,536	1,466	1,152	314
Fines and fees	15,038	15,868	14,000	1,868
Copier & computer income	7,581	7,500	7,000	500
Gifts	1,060	5,025	200	4,825
Program Income	226	112	0	112
Grants/Fundraising	10,102	15,917	500	15,417
Kansas Humanities Council	1,200	0	0	0
Snack machine income	0	3,140	0	3,140
Community reads	0	3,393	0	3,393
Transfers in	31,315	500	8,400	(7,900)
<b>Total cash receipts</b>	<b>881,663</b>	<b>904,020</b>	<b>\$ 882,838</b>	<b>\$ 21,182</b>
<b>Expenditures</b>				
<b>Salaries and Benefits</b>				
Staff salaries	498,602	488,462	\$ 519,329	\$ (30,867)
Social security	35,118	33,900	39,730	(5,830)
KPERS	37,547	40,460	42,381	(1,921)
Employee insurance	47,381	48,763	57,229	(8,466)
Unemployment	457	459	519	(60)
Workers' compensation	4,165	3,643	3,300	343
Officer & director practice insurance	1,546	1,618	2,000	(382)
	<b>624,816</b>	<b>617,305</b>	<b>664,488</b>	<b>(47,183)</b>
<b>Materials and Programs</b>				
Juvenile books	22,429	25,690	25,000	690
Adult books	47,721	50,017	51,560	(1,543)
Periodicals	6,348	5,988	6,600	(612)
Audio visual materials	21,016	19,799	18,840	959
Audio visual materials - children	5,557	6,785	6,000	785
Programs	2,907	2,655	3,000	(345)
Purchases from gift & grant receipts	4,664	10,987	950	10,037
Electronic access	1,119	1,879	1,200	679
	<b>111,761</b>	<b>123,800</b>	<b>113,150</b>	<b>10,650</b>

See Independent Auditor's Report.



**OTTAWA LIBRARY**

Schedule 2a

**GENERAL FUND**  
**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**  
**REGULATORY BASIS**

For the year ended December 31, 2015

(With comparative actual totals for the prior year ended December 31, 2014)

		<u>2015</u>		Variance Over (Under)
	<u>2014</u>	<u>Actual</u>	<u>Budget</u>	
<b>Expenditures (continued)</b>				
<b>Operating</b>				
Building insurance	\$ 4,170	\$ 4,400	\$ 4,600	\$ (200)
Audit	3,277	3,324	3,200	124
Gas	4,660	2,472	5,000	(2,528)
Water and electric	22,645	23,526	24,000	(474)
Telephone	2,988	4,824	3,000	1,824
Postage	1,576	2,059	2,100	(41)
Public relations	1,743	1,614	1,500	114
Building maintenance	20,700	20,251	23,000	(2,749)
Office supplies	15,653	16,262	16,000	262
Copier and computer expense	4,733	5,738	6,000	(262)
Professional meetings, memberships, mile	3,561	5,232	3,500	1,732
Equipment rental and repair	4,788	4,779	4,600	179
Miscellaneous	404	301	400	(99)
Automation support	6,127	6,194	6,300	(106)
Computer software upgrades	1,675	1,766	1,500	266
Equipment purchases	37,736	11,145	6,500	4,645
Collection Agency	1,647	1,593	1,000	593
Reserve	0	0	20,000	(20,000)
Snack machine income	0	2,346	0	2,346
Community reads expense	0	2,980	0	2,980
Transfers out	<u>15,370</u>	<u>10,000</u>	<u>601</u>	<u>9,399</u>
	<u>153,453</u>	<u>130,806</u>	<u>132,801</u>	<u>(1,995)</u>
 Total expenditures	 <u>890,030</u>	 <u>871,911</u>	 <u>\$ 910,439</u>	 <u>\$ (38,528)</u>
 Receipts over (under) expenditures	 (8,367)	 32,109		
 Unencumbered cash, beginning of year	 <u>35,895</u>	 <u>27,528</u>		
 Unencumbered cash, end of year	 <u>\$ 27,528</u>	 <u>\$ 59,637</u>		

See Independent Auditor's Report.

# OTTAWA LIBRARY

Schedule 2b

## SPECIAL PURPOSE FUNDS CAPITAL IMPROVEMENT FUND SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL REGULATORY BASIS For the year ended December 31, 2015 (With comparative actual totals for the prior year ended December 31, 2014)

	2014	2015
<b>Cash receipts</b>		
Interest	\$ 6	\$ 10
Transfers in	15,000	10,000
Total cash receipts	15,006	10,010
<b>Expenditures</b>		
Furniture and equipment	1,210	0
Transfers out	10,000	0
Total expenditures	11,210	0
Receipts over (under) expenditures	3,796	10,010
Unencumbered cash, beginning of year	14,857	18,653
Unencumbered cash, end of year	\$ 18,653	\$ 28,663

See Independent Auditor's Report.

# OTTAWA LIBRARY

Schedule 2c

## RELATED MUNICIPAL ENTITY ENDOWMENT FUND SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL REGULATORY BASIS

For the year ended December 31, 2015

(With comparative actual totals for the prior year ended December 31, 2014)

	2014 Actual	2015 Actual
<b>Cash receipts</b>		
Contributions	\$ 0	\$ 6,015
Interest	788	69
Dividends	5,467	6,266
Sale of investments	72,412	265,561
Cost of investments sold	(62,997)	(222,714)
Transfers in	500	409
	<u>16,170</u>	<u>55,606</u>
<b>Total cash receipts</b>		
<b>Expenditures</b>		
Trustee and other fees	2,436	2,549
Transfers out	0	409
	<u>2,436</u>	<u>2,958</u>
<b>Total expenditures</b>		
Receipts over (under) expenditures	13,734	52,648
Unencumbered cash, beginning of year	<u>220,717</u>	<u>234,451</u>
Unencumbered cash, end of year	\$ <u>234,451</u>	\$ <u>287,099</u>

See Independent Auditor's Report.

**OTTAWA LIBRARY**Schedule 2d

RELATED MUNICIPAL ENTITY  
**FRIENDS OF THE LIBRARY**  
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL  
REGULATORY BASIS

For the year ended December 31, 2015

(With comparative actual totals for the prior year ended December 31, 2014)

	<u>2014</u>	<u>2015</u>
<b>Cash receipts</b>		
Membership	\$ 2,080	\$ 1,845
Book sale	5,441	4,678
Interest	2	2
Donations	20,000	0
Other	445	3,120
Transfers in	<u>370</u>	<u>0</u>
 Total cash receipts	 <u>28,338</u>	 <u>9,645</u>
 <b>Expenditures</b>		
Building	500	408
Newsletter	441	314
Reading programs	3,316	3,805
Programs	175	0
Memorials	0	687
Member expense	219	25
Other	2,004	4,488
Transfers out	<u>21,815</u>	<u>500</u>
 Total expenditures	 <u>28,470</u>	 <u>10,227</u>
 Receipts over (under) expenditures	 (132)	 (582)
 Unencumbered cash, beginning of year	 <u>5,060</u>	 <u>4,928</u>
 Unencumbered cash, end of year	 <u>\$ 4,928</u>	 <u>\$ 4,346</u>

See Independent Auditor's Report.

## SPECIAL REPORT

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Ottawa Library Board  
Ottawa, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of Ottawa Library, Ottawa, Kansas as of and for the year ended December 31, 2015 and the related notes to the financial statements, which collectively comprise Ottawa Library's basic financial statements, and have issued our report thereon dated April 1, 2016. The Library prepares its financial statements on a regulatory basis of accounting which demonstrates compliance with the Kansas Municipal Audit and Accounting Guide, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Library's internal control. Accordingly, we do not express an opinion on the effectiveness of Library's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Opfer & Sheddert, Chartered*

April 1, 2016  
Ottawa, Kansas